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United States General Accounting Office
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Human Resources
Division

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The Honorable Barber B. Conable, Jr.
House of Representatives

Dear Mr. Conable:

Subject: Analysis of Two Studies of Quality in New York City's Aid to Families with Dependent Children Program (HRD-80-48)

As requested in your December 15, 1978, letter, we have analyzed the studies of quality in New York City's Aid to Families with Dependent Children (AFDC) program made by the DLG03818 State Quality Control (QC) staff and the State Office of the DLG03817 Welfare Inspector General (IG). Our objective was to determine if the difference between the error rate estimates in these two studies was significant and, if possible, to determine which estimate was most accurate. We included this analysis in our comprehensive study of AFDC quality control, which is being done for the Senate Committee on Finance. This letter summarizes the results of our analysis of the two New York City studies.

We also discussed these results with representatives from IG, QC, and the Department of Health, Education, and ~~AGC0~~ DLG03813 Welfare's (HEW's) Office of Family Assistance (Region II) in December 1979 and obtained their oral comments on the matters discussed in the report. The QC and HEW regional personnel generally agreed with the results of our analysis, but IG personnel declined to comment since no report was provided for their review and analysis.

In summary, the IG and QC overall error rate estimates cannot be directly compared because of differences in the time periods covered, the public assistance programs included, and in some instances, definitions of errors. After adjusting

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for the different programs and time periods, however, the AFDC error rate estimates from the two studies were comparable. Differences in definitions of errors caused some cases to be cited as incorrect in one study, but correct in the other, and these differences could have affected the respective error rate projections. We did not determine the extent of this effect because it would have required an extensive analysis of all cases reviewed in both studies. In our opinion, the results of such an analysis would not contribute to a significantly better understanding of AFDC errors in New York City.

Both IG and QC estimated error rates indicate that New York City's AFDC program administration needs improvement. The difference between the two estimates does not detract from this message.

While we plan no further work with these two studies, we are currently making a comparative analysis of AFDC program management practices and procedures and administrative costs in four States, including New York. This analysis will include identifying administrative practices which contribute to AFDC errors. The House Committee on Ways and Means' Subcommittee on Oversight requested that we make this review, which includes AFDC program management in California, Illinois, Massachusetts, and New York. We are concentrating on activities in large metropolitan areas in these States: Los Angeles County, Cook County, Boston, and New York City. We will give you a copy of our final report after the review is completed.

We are also continuing our comprehensive review of AFDC quality control (including New York), and we will send you a copy of the report on this review.

BACKGROUND

AFDC, one of the largest federally aided public assistance programs, is administered by the States in cooperation with HEW. The AFDC program provides financial assistance to needy children and their parents or relatives to encourage the care of dependent children in their home.

HEW and the Congress have been concerned for several years with the high incidence of erroneous payments to AFDC recipients. HEW has attempted to reduce the error rates by encouraging States to implement quality control programs, which all States now operate. The most important part of quality control is the statistically valid sample of AFDC cases, which the State selects every 6 months and reviews for eligibility and payment. After the State review, HEW personnel review a subsample of these cases; final error rates for each 6-month period are based on the combined results of the Federal and State reviews.

In New York, the Department of Social Services' Office of Audit and Quality Control is responsible for AFDC quality control audits. Its Metropolitan Regional Office conducts these audits in New York City.

The Office of the Welfare Inspector General, established in 1971, is part of the New York State Department of Audit and Control. It is responsible for investigating complaints of (1) fraud and abuse in welfare programs, (2) noncompliance with State laws and regulations related to welfare administration, and (3) failure to enforce State laws related to employment of welfare recipients. IG also investigates State and local welfare program operations to see if benefits are being distributed properly.

IG and QC made independent studies in 1976 and reported different eligibility error rates for New York City. Based on a study of August 1976 cases, IG reported that about 21.5 percent of the welfare recipients in New York City were ineligible for benefits. Based on its study of the July to December 1976 case sample, QC reported that 10.2 percent of the city's AFDC recipients were ineligible for the welfare benefits they received.

The two studies are not comparable

The studies were not directly comparable because they covered different time periods and different welfare programs.

The QC sample of welfare payments was selected from a 6-month period, and the IG sample was selected from a 1-month period. The QC study covered about 1,200 AFDC payments randomly selected from the July to December 1976 monthly recipient register. The IG study was of 228 payments randomly selected from the welfare register in August 1976.

Error-causing conditions that were prevalent in August could have influenced the IG error rate more than the QC error rate. For example, cases selected in August by IG could have been more prone to error than average, because of factors related to children being out of school or summer work patterns of an AFDC child's parent. These same characteristics could have less effect in the 6-month QC sample, since they might be less likely to cause errors in payments during the other 5 months.

While we did not identify specific error causes that were more prevalent in August, we did find that the State Quality Control AFDC ineligibility error rate for the August 1976 payments in its 6-month sample was higher than the overall 6-month QC error rate. The ineligibility rate for cases selected from the July to December 1976 period was 10.2 percent while for August it was 14.4 percent. This is an indication that August payments were more error prone and may partly explain why the error rates from the two studies are different.

The sample payments in the two studies were selected from different welfare programs. The QC cases were selected only from the AFDC register, while the IG cases were selected from AFDC, as well as the State and locally financed home relief welfare program registers.

The overall QC and IG ineligibility error rates were influenced by the error rate of each individual welfare program from which the sample payments were selected. The IG review had a higher ineligibility rate in the selected home relief cases (31.2 percent) than in the selected AFDC cases (17.7 percent). The QC study did not include the more error prone home relief cases. This also partially explains why the IG error rate was higher than the QC error rate.

<u>Adjusted results of the studies are comparable</u>

We compared error rates of the IG and QC studies using only the August 1976 AFDC payments they selected, the only payments that were comparable. Our comparison follows.

	Comparison of cases			
	Number		Percent	
	QC	IG	QC	IG
Sample size	147	164	-	-
Dropped cases	1	0	-	-
Net sample	146	164	-	-
Ineligible recipients	21	29	14.4	17.7
Eligible but overpaid recipients	31	30	21.2	18.3
Ineligible and eligible but overpaid recipients	52	59	35.6	36.0

The differences in the two studies' ineligibility error rates were much smaller for the August 1976 AFDC cases (3.3 percentage points) than for all cases in the two samples (11.3 percentage points: IG--21.5 percent and QC--10.2 percent).

The difference in error rates for August 1976 AFDC cases is even smaller if eligible but overpaid recipients are included with ineligibles: about 35.6 percent for QC compared to about 36 percent for IG.

Different definition of errors could affect error rates

The QC and IG studies used different error definitions in several instances. IG and QC treated differently automobile ownership, cases with recipients who cannot be located, contributions from legally responsible relatives, and categorical errors. These differences would cause some cases to be cited as correct in one study, but as incorrect in the other. Such differences could have an impact on the overall error rates, but we did not attempt to determine that impact. In our opinion, the detailed analysis necessary to measure the impact of these differences would not contribute significantly to a better understanding of AFDC errors in New York City.

Neither IG nor QC considers automobile ownership as a resource, if the auto was essential for health, living requirements, or production of income. However, IG treated automobiles not needed for these reasons as resources for eligibility determination purposes, while in most cases QC did not. QC treated such automobiles as "potential" resources because they were not liquid assets that could be used to meet the current needs of the family.

IG found more errors than QC for the reason that, when a recipient could not be located, IG counted the case as in error. QC did not consider such cases in error, since under Federal QC procedures, such cases are omitted from the sample.

The IG and QC studies also treated financial support from legally responsible relatives differently, which made the IG error rate higher. Under the New York State regulations, legally responsible relatives can provide support to AFDC recipients. Such contributions are taken into account for purposes of determining the monthly welfare payment. QC reviews contributions to see if they are correctly accounted for in computing the payment, but does not determine if support could have been provided in cases where contributions are not made. However, IG considered cases in error, if the local social service agency did not pursue potential support from legally responsible relatives.

The IG study considered only financial and not categorical eligibility, while the QC study considered both. The IG study considered cases to be in error only if they contained financial mistakes, such as incorrectly treating resources or improperly treating a recipient's earned income, while the QC study considered these as well as nonfinancial eligibility errors, such as whether the parent or guardian had registered for the work incentive program or whether the child met the deprivation factors for AFDC eligibility. This difference increased the chances of finding error in a case reviewed by QC.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 14 days from its issue date. At that time, we will send copies to HEW, the New York State Inspector General, the New York State Department of Social Services, and other interested parties, and make copies available upon request.

Sincerely yours,

Gregory J. Ahart
Director